80-1869

No. .....

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In The

Supreme Court of the United States

October Term, 1981

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INTERNATIONAL ORDER OF JOB'S DAUGHTERS,

Petitioner,

vs.

LINDEBURG AND COMPANY,

Respondent.

—o—

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

—o—

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QUESTIONS PRESENTED

1. Whether the name and/or emblem of a fraternal organization can function as a trademark to identify the maker, sponsor or endorser of the product upon which the name and/or emblem appears.

2. Whether the Court of Appeals for the Ninth Circuit erred in rejecting the reasoning of *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F. 2d 1004 (5th Cir.), cert. den., 423 U. S. 868 (1975) by holding that petitioner's emblem was a functional part of the product upon which it appeared and that functional use of a trademark does not violate the Lanham Act.

3. Whether the unauthorized, intentional duplication of a fraternal organization's emblem on merchandise violates any legal right of the fraternal organization to the exclusive use of that emblem.

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INTERNATIONAL ORDER OF JOB'S DAUGHTERS,

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Petitioner, International Order of Job's Daughters, respectfully prays that a Writ of Certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Ninth Circuit entered in this proceeding on December 10, 1980.

OPINION BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit is included in the Appendix as Exhibit A. The Order dated February 11, 1981 denying petitioner's Petition for Rehearing is included in the Appendix as Exhibit B. The opinion of the United States District Court, Northern District of California, is included in the Appendix as Exhibit C.

JURISDICTION

Jurisdiction in this cause is premised upon 28 U. S. C. 1254 (1) for review by certiorari of the judgment and opinion of the United States Court of Appeals for the Ninth Circuit. A written opinion was issued by that court on February 10, 1980. The petitioner, International Order of Job's Daughters, timely filed a Petition of Rehearing and suggestion for rehearing in banc. That petition was denied on February 11, 1981.

STATEMENT OF THE CASE

Petitioner, International Order of Job's Daughters, is a non-profit, fraternal organization organized in 1921. Petitioner began using the trademarks "JOB'S DAUGHTERS", "IYOB FILIAE", "DAUGHTERS OF JOB" and an emblem substantially identical to the trademarks of

Exhibits D and E, appended hereto, in 1921 on jewelry and non-jewelry items. The trademarks have also been used to indicate membership in petitioner.

Respondent is a fraternal jeweler who advertises and sells jewelry and non-jewelry items, bearing petitioner's trademarks, to members of petitioner and to those persons desiring to present gifts to members of petitioner.

Through the years, petitioner has licensed "official" suppliers and jewelers to sell merchandise bearing the name and/or emblem of petitioner. The specific trademark of Exhibit D was adopted by petitioner in 1923 and the trademark of Exhibit E was adopted in 1964 and is still in use as a trademark on goods and as a collective membership mark to indicate membership in petitioner. The emblem of Exhibit D was federally registered as United States Registration No. 672,316 on January 6, 1959 and was amended to the emblem of Exhibit E in 1964. A clerical oversight by petitioner resulted in the federal registration itself becoming abandoned even though the trademarks in question were not abandoned but were continuously used. When petitioner learned of the cancellation of its federal registration by the United States Trademark Office, application was again made to formally register the mark and the Trademark Office indicated that the trademark would be registered. The proceedings in the Trademark Office relating to that application have been stayed pending the outcome of this litigation. A subsequently filed trademark application has issued as Registration No. 1,124,904 but it is not involved in this litigation since the registration issued subsequent to the decision in the lower court.

Petitioner filed suit against respondent in November 1977 alleging four counts of common law trademark infringement and one count of unfair competition. The United States District Court for the Northern District of California found that petitioner owned the trademarks of "JOB'S DAUGHTERS", "IYOB FILIAE", "DAUGHTERS OF JOB" and the trademarks of Exhibits D and E and that the trademarks had been continuously used since 1921 on jewelry and non-jewelry items. The District Court further found that respondent had used petitioner's trademarks in its catalogs and on its merchandise and that such use created a likelihood of confusion in the public mind as to the relationship between respondent and petitioner. The District Court concluded that respondent had infringed petitioner's trademarks and had committed acts of unfair competition.

The United States Court of Appeals for the Ninth Circuit reversed the District Court and held that respondent had not infringed petitioner's trademarks since petitioner's trademarks were a functional part of the product upon which the trademarks appeared. In ruling that emblems of organizations such as petitioner were a functional part of the product upon which they appeared, the Court of Appeals for the Ninth Circuit expressly rejected the reasoning of *Boston Professional Hockey Ass'n., Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F. 2d 1004 (5th Cir.), cert. den., 423 U. S. 868 (1975).

REASONS FOR GRANTING THE WRIT

The decision below is in conflict with the decision of the Court of Appeals for the Fifth Circuit in *Boston Professional Hockey Ass'n., Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F. 2d 1004 (5th Cir.), cert. den., 423 U. S. 868 (1975). The Fifth Circuit in *Boston Pro Hockey* held that the emblems or symbols of organizations such as professional sports teams do function as trademarks to identify the maker, sponsor or endorser of the product upon which the emblems appear. In this case, the Ninth Circuit expressly rejected the reasoning of *Boston Pro Hockey* and held that petitioner's trademarks were a functional part of the product upon which they appeared and that a competitor's use of the trademarks upon merchandise did not constitute trademark infringement. In so holding, the Court of Appeals for the Ninth Circuit incorrectly held that the names and emblems of petitioner were funtional aesthetic components of the *jewelry* upon which the trademarks appeared. The Court of Appeals apparently overlooked the fact that petitioner's names and emblems are not only used on jewelry by petitioner as well as respondent but that respondent has used petitioner's trademarks in its catalogs and on merchandise such as scrapbooks, charms, writing paper, etc.

This case presents a serious and significant question regarding the emblems and trademarks of an organization such as that of petitioner and such organizations as the National Football League, National Hockey League, American Baseball League, National Baseball League, Lions Club, Elks Club, etc. The primary question herein is whether petitioner's name and/or emblem, when placed on merchandise, becomes a "functional" part of the merchandise. If the emblem is a functional part of the merchandise,

the trademark owner cannot prevent an infringer from placing the trademark owner's emblem upon the infringer's merchandise. If the emblem is not a functional part of the merchandise, the trademark owner can prevent its unauthorized use.

The Restatement of Torts, Section 742, comment A, articulates the key policy relating to the functionality of trademarks:

> "The determination of whether or not . . . features are functional depends upon the question of fact whether prohibition of imitation by others will deprive the others of something which will substantially hinder them in competition."

As stated in *Zippo Mfg. Co. v. Rogers Imports, Inc.*, 216 F. Supp. 670 (DC SNY, 1963):

> "Weighing all of these factors—particularly the need for and benefit of competition—it seems to me that the narrowest definition of functionality should be rejected as the sole test, and that functionality should be defined more broadly. I believe that the applicable test under the decisions in this Circuit is, and should be, that a feature of goods is functional at least if it affects their purpose, action, or performance, or the facility of economy of processing, handling, or using them, and possibly also if it affects the buyer's choice because of its pleasing appearance."

The respondent in this case, if prohibited from using petitioner's trademarks, will not be hindered in competition, under the guidelines of the Restatement and *Zippo Mfg. Co. v. Rogers Imports, Inc.*, 216 F. Supp. 670 (DC SNY, 1963), since it can continue to sell all the merchandise it previously sold as long as the merchandise does not bear the trademarks of petitioner. If the trademarks are the reason that the merchandise is purchased, the only conclusion that can be reached is that the purchasers be-

lieve that the merchandise is somehow sponsored by petitioner. The Court of Appeals also overlooked the fact that persons other than members of petitioner purchase the goods as gifts. Persons who are not members of petitioner and who are purchasing the goods of the respondent will certainly believe that the goods somehow have the sponsorship of petitioner if the respondent has placed the trademarks of petitioner on the merchandise.

The trademarks of petitioner, when placed upon merchandise such as scrapbooks, stationery, pens and pencils, napkins, etc. are certainly non-functional and cannot be said to affect the purpose, action, performance, facility or economy of processing the goods. The trademarks of petitioner serve to indicate the source or sponsorship of the item and are not functional.

In expressly rejecting the reasoning of *Boston Pro Hockey,* the Court of Appeals stated that the strict function of a trademark is to indicate the *source* of the product rather than sponsorship or affiliation. In fact, the Court of Appeals, in its Opinion, cited cases which were decided before the Trademark Act was amended in 1962 to eliminate "source" as the basis or test for "likelihood of confusion." As stated in *Siegel v. Chicken Delight, Inc.,* 448 F. 2d 43 (9th Cir., 1971):

> "The historical conception of a trademark as a strict emblem of source of the product to which it attaches has largely been abandoned."

The purchaser, when seeing petitioner's trademarks on goods, probably will not reach the conclusion that petitioner itself actually manufactured the goods but will certainly believe that the goods somehow have the sponsorship of petitioner. That is the very function of a trade-

mark in modern society. The Court of Appeals, in holding that the names and emblems of petitioner are not trademarks, has opened the floodgates to permit every competitor to market products bearing replicas of petitioner's trademarks thereby preventing petitioner from exercising any quality control over the use of its trademarks and the products upon which they appear.

The Court of Appeals, in its Opinion of reversal, improperly rejected the reasoning of *Boston Professional Hockey Ass'n., Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F. 2d 1004 (5th Cir.), cert. den., 423 U. S. 868 (1975). If the decision of the Ninth Circuit is not reversed, petitioner would presumably have valid trademarks in the Fifth Circuit but would not have valid trademarks in the Ninth Circuit. Would petitioner have valid trademarks in the other circuits? The reasoning expressed in *Boston Pro Hockey* is proper and such reasoning was also expressed in *National Football League Properties, Inc. v. Consumer Enterprises, Inc.*, 185 USPQ 550 (Ill. App. Ct., 1975). In fact, the Illinois Appellate Court made its determination that the emblems of the National Football League were trademarks even before the Fifth Circuit reversed the lower court in *Boston Pro Hockey.*

The decision in *Boston Pro Hockey* is well reasoned and the complete rejection of *Boston Pro Hockey* by the Court of Appeals is in error and represents a serious conflict between the Fifth and Ninth Circuits.

Respectfully submitted,

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APPENDIX

EXHIBIT A

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

NO. 78-1674

D. C. No. CV-77-0185 GBH

INTERNATIONAL ORDER OF JOB'S DAUGHTERS,

Plaintiff-Appellee,

vs.

LINDEBURG AND COMPANY,

Defendant-Appellant.

OPINION

(Filed December 10, 1980)

Appeal f om the United States District Court
for the Northern District of California

George B. Harris, District Judge, Presiding
Argued and submitted May 13, 1980

BEFORE: TRASK and FLETCHER, Circuit Judges, and BLUMENFELD,* District Judge

FLETCHER, Circuit Judge:

Appellee, the International Order of the Daughters of Job (Job's Daughters), sued appellant Lindeburg and Co. (Lindeburg), for trademark infringement arising out of

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* Honorable M. Joseph Blumenfeld, Senior United States District Judge for the District of Connecticut, sitting by designation.

Lindeburg's manufacture and sale of jewelry bearing the Job's Daughters insignia. The district judge granted judgment for Job's Daughters. Lindeburg appeals, invoking appellate jurisdiction under 28 U. S. C. § 1291. We reverse and remand.

Job's Daughters is a young women's fraternal organization. Since its establishment in 1921 it has used its name and emblem[1] as collective marks.[2] Since its inception Job's Daughters has licensed at least one jeweler to produce jewelry for it. Job's Daughters sells some of the licensed jewelry directly to its members. Jewelry bearing the name or emblem is also sold by approximately 31,000 retailers across the nation. Most of these retailers presumably have no connection with the Job's Daughters organization. Some sell jewelry manufactured by Job's Daughters' licensees; others sell jewelry manufactured by jewelers not licensed by the organization.

Lindeburg makes and sells fraternal jewelry. In 1954 it began selling jewelry and related items bearing the Job's Daughters insignia. In 1957 Lindeburg asked the Job's Daughters trademark committee to designate it an "official jeweler." The committee refused and in 1964 and 1966 asked Lindeburg to stop manufacturing and selling unlicensed jewelry. Lindeburg did not comply with this request. In 1973 Lindeburg again sought permission to act as an official jeweler for Job's Daughters. Permission was granted for one year and then withdrawn.

In 1975 Job's Daughters brought this suit against Lindeburg, alleging that he had infringed their "common law trademark" rights. The district court granted judgment for Job's Daughters after an extensive trial and

enjoined Lindeburg from further use of the name or emblem. The court held, however, that Job's Daughters' long acquiescence in Lindeburg's infringement barred the award of damages.

I

JURISDICTION[3]

In its complaint Job's Daughters did not invoke any particular jurisdictional statute, but did recite the factors establishing diversity jurisdiction under 28 U. S. C. § 1332: diverse citizenship and a sufficient amount in controversy. Lindeburg did not contest this implicit jurisdictional assertion, and the district court expressly held that diversity jurisdiction was present. The parties, however, relied exclusively on cases decided under federal trademark statutes and never referred to state law. Because the assertion of diversity jurisdiction would ordinarily be appropriate where the right asserted is grounded in state law, the invocation of cases decided under federal law creates confusion about the applicable law and sparks our inquiry.

The source of the right sued upon, not the ground on which federal jurisdiction is invoked, determines whether federal or state law applies. *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F. 2d 538, 540-41 n. 1 (2d Cir. 1956). We must, therefore, determine the source of the right upon which this lawsuit is based.

The parties have apparently assumed the existence of a general common law governing all trademark infringement cases brought in federal court.[4] This assumption is incorrect. Save as an outgrowth of federal statutory or constitutional law, there is no federal common law. *Com-*

pare Erie R. R. Co. v. Tompkins, 304 U. S. 64, 78 (1938) ("Except in matters governed by the Federal Constitution or by Acts of Congress, the law to be applied in any case is the law of the state. . . . There is no federal general common law."), *with Hinderlider v. La Plata River & Cherry Creek Ditch Co.*, 304 U. S. 92, 110 (1938) (applying "federal common law" to resolve a controversy regarding an interstate stream). *See generally*, P. Bator, P. Mishkin, D. Shapiro, & H. Wechsler, *The Federal Courts & The Federal System*, 756-832 (2d ed. 1973). Accordingly, to succeed, Job's Daughters must assert rights found either in state law or federal statutory law.

This seemingly simple proposition is rendered difficult by the complex relationship between state and federal trademark law. In general, the common law has been understood as protecting against the broad business tort of "unfair competition." Trademark infringement is a species of this generic concept. *See New West Corp. v. NYM Co. of California*, 595 F. 2d 1194, 1201 (9th Cir. 1979). The Lanham Act created a federal protection against two types of unfair competition, infringement of registered trademarks, 15 U. S. C. § 1114 and the related tort of false designation of the origin of goods, 15 U. S. C. § 1125 (a).[5] Federal courts have jurisdiction to hear suits invoking these protections. In addition, many states by statute or judge-made law protect against trademark infringement and other types of unfair competition, such as misappropriation of the fruits of another's labor, *see Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U. S. 562 (1977); theft of trade secrets, *see Pachmayr Gunworks, Inc. v. Olin Mathieson Chemical Corp.*, 502 F. 2d 802, 807-08 (9th Cir. 1974); and trade disparagement, *see Kemart Corp. v.*

Printing Arts Research Laboratory, Inc., 269 F. 2d 375, 388-94 (9th Cir.), *cert. denied*, 361 U. S. 893 (1959). These protections need not track those provided by the Lanham Act. *See Sears, Roebuck & Co. v. Stiffel, Co.*, 376 U. S. 225, 232 (1964); *John Wright, Inc. v. Casper Corp.*, 419 F. Supp. 292, 317 (E. D. Pa. 1976), *modified sub nom. Donsco, Inc. v. Casper Corp.*, 587 F. 2d 602 (3rd Cir. 1978); *Markel v. Scovill Mfg. Co.*, 471 F. Supp. 1244, 1249 (W. D. N. Y.) *aff'd*, 610 F. 2d 807 (2d Cir. 1979). If diversity factors exist, federal courts of course have jurisdiction to hear suits asserting these state law protections.[6] Thus, a plaintiff complaining of trademark infringement in federal court may invoke either federal or state protections, or both.[7]

Confusion as to the source of the substantive law is understandable because federal and state laws regarding trademarks and related claims of unfair competition are substantially congruent. *See K-S-H Plastics, Inc. v. Carolite, Inc.*, 408 F. 2d 54, 59 n. 2 (9th Cir.), *cert. denied*, 396 U. S. 825 (1969); *Keebler Co. v. Rovira Biscuit Corp.*, 624 F. 2d 366, 372 (1st Cir. 1980); *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F. 2d 368, 382 n. 14 (5th Cir. 1977); *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F. 2d 1265, 1270 n. 5 (2d Cir. 1974); *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F. 2d 538, 540 n. 1 (2d Cir. 1958). Therefore the choice of federal or state law frequently has no impact on the outcome, leading courts to avoid the issue. *See, e. g., K-S-H Plastics, Inc. v. Carolite, Inc.*, 408 F. 2d 54, 59 n. 2 (8th Cir. 1969); *Keebler Co. v. Rovira Biscuit Corp.*, 624 F. 2d 366, 372 (1st Cir. 1980). This does not, however, alter the fact that there are distinct federal and state rights.

Neither of the litigants before us has distinguished between state and federal law. Job's Daughters has brought what might best be characterized as a hybrid action by relying on federal substantive law but apparently invoking the district court's diversity jurisdiction. Our examination of the pleadings, trial transcript, and briefs persuades us that, despite the invocation of diversity jurisdiction, Job's Daughters intended to assert its federal rights under 15 U. S. C. § 1125.[8] Therefore, we shall treat this case as within the jurisdiction of the district court pursuant to 28 U. S. C. § 1338. *See Vukonich v. Civil Service Comm'n,* 589 F. 2d 494, 496 n. 1 (10th Cir. 1978).

II

INFRINGEMENT

This court held in *New West Corp. v. NYM Co. of California,* 595 F. 2d 1194 (9th Cir. 1979), that section 43 of the Lanham Act, 15 U. S. C. § 1125 (a), created a federal remedy against the deceptive use of unregistered trademarks to designate falsely the origin of goods ("passing off"). 595 F. 2d at 1198, 1201. *New West* also held that the test for false designation of origin was similar to that for infringement of a registered trademark under 15 U. S. C. § 1114. Both statutes preclude the use of another's trademark in a manner likely to confuse the public about the origin of goods. 595 F. 2d at 1201. Thus, we must decide whether Lindeburg is likely to confuse the public about the origin of its jewelry by inscribing the Job's Daughters name and emblem on it.

Resolution of this issue turns on a close analysis of the way in which Lindeburg is using the Job's Daughters

insignia. In general, trademark law is concerned only with identification of the maker, sponsor, or endorser of the product so as to avoid confusing consumers. Trademark law does not prevent a person from copying so-called "functional" features of a product which constitute the actual benefit that the consumer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product.

The distinction between trademarks and functional features is illustrated in *Pagliero v. Wallace China, Co.*, 198 F. 2d 339 (9th Cir. 1952), where plaintiff, Wallace China, claimed trademark infringement on account of the use by others of the design it used on its china. The court found no trademark infringement because the design served primarily as a functional part of the product:

> Imitation of the physical details and designs of a competitor's product may be actionable, if the particular features imitated are "non-functional" and have acquired a secondary meaning. But, where the features are "functional" there is normally no right to relief. "Functional" in this sense might be said to connote other than a trade-mark purpose. If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden. . . . Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection.

198 F. 2d at 343 (citation omitted). *See also Famolare, Inc. v. Melville Corp.*, 472 F. Supp. 738, 742-45 (D. Hawaii 1979); *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 360 F. Supp. 459, 463-64 (N. D. Tex. 1973), *rev'd, Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F. 2d 1004 (5th Cir.), *cert. denied*, 423 U. S. 868 (1975); *Restatement of Torts* § 742, comment (a) (1938).

Application of the *Pagliero* distinction to this case has a special twist because the name "Job's Daughters" and the Job's Daughters insignia are indisputably used to identify the organization, and members of Job's Daughters wear the jewelry to identify themselves as members. In that context, the insignia are trademarks of Job's Daughters. But in the context of this case, the name and emblem are functional aesthetic components of the jewelry, in that they are being merchandised on the basis of their intrinsic value, not as a designation of origin or sponsorship.

It is not uncommon for a name or emblem that serves in one context as a collective mark or trademark also to be merchandised for its own intrinsic utility to consumers. We commonly identify ourselves by displaying emblems expressing allegiances. Our jewelry, clothing, and cars are emblazoned with inscriptions showing the organizations we belong to, the schools we attend, the landmarks we have visited, the sports teams we support, the beverages we imbibe. Although these inscriptions frequently include names and emblems that are also used as collective marks or trademarks, it would be naive to conclude that the name or emblem is desired because consumers believe that the

product somehow originated with or was sponsored by the organization the name or emblem signifies.

Job's Daughters relies on *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F. 2d 1004 (5th Cir.), *cert. denied*, 423 U. S. 868 (1975), in which the Boston Bruins and other National Hockey League clubs brought a trademark infringement suit against a company that sold replicas of the NHL team emblems. The Fifth Circuit, applying the Lanham Act infringement test and focusing on the "likelihood of confusion," found infringement:

> The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were the plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.

510 F. 2d at 1012.[9] Job's Daughters asserts that *Boston Hockey* supports its contention that even purely functional use of a trademark violates the Lanham Act. We reject the reasoning of *Boston Hockey*.

Interpreted expansively, *Boston Hockey* holds that a trademark's owner has a complete monopoly over its use, including its functional use, in commercial merchandising.[10] But our reading of the Lanham Act and its legislative history reveals no congressional design to bestow such broad property rights on trademark owners. Its scope is much narrower: to protect consumers against deceptive

designations of the origin of goods and, conversely, to enable producers to differentiate their products from those of others. *See Smith v. Chanel, Inc.*, 402 F. 2d 562, 566-70 (9th Cir. 1968). *See also HMH Publishing Co., Inc. v. Brincat*, 504 F. 2d 713, 716 (9th Cir. 1974); *Developments in the Law-Trademarks and Unfair Competition*, 68 Harv. L. Rev. 814, 816-17 (1955). The *Boston Hockey* decision transmogrifies this narrow protection into a broad monopoly. It does so by injecting its evaluation of the equities between the parties and of the desirability of bestowing broad property rights on trademark owners.[11] A trademark is, of course, a form of business property. See J. McCarthy, *Trademarks and Unfair Competition* §§ 2:6-2:7 (1973). But the "property right" or protection accorded a trademark owner can only be understood in the context of trademark law and its purposes. A trademark owner has a property right only insofar as is necessary to prevent consumer confusion as to who produced the goods and to facilitate differentiation of the trademark owner's goods. *See Id.* The *Boston Hockey* court decided that broader protection was desirable. In our view, this extends the protection beyond that intended by Congress and beyond that accorded by any other court. *Cf. Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F. 2d 368, 389 (5th Cir. 1977) (rejecting the "notion that a trademark is an owner's 'property' to be protected irrespective of its role in the operation of our markets").

Indeed, the court in *Boston Hockey* admitted that its decision "may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs." 510 F. 2d at 1011. We

think that this tilt was not slight but an extraordinary extension of the protection heretofore afforded trademark owners. It is an extension we cannot endorse. *See General Mills, Inc. v. Henry Regnery Co.*, 421 F. Supp. 359, 362 & n. 2 (N. D. Ill. 1976). Instead, we agree with Judge Waterman of the Second Circuit, who recently said that under the Lanham Act "one can capitalize on a market or fad created by another provided that it is not accomplished by confusing the public into mistakenly purchasing the product in the belief that the product is the product of the competitor." *American Footwear Corp. v. General Footwear Co. Ltd.*, 609 F. 2d 655, 662 (2d Cir. 1979), *cert. denied*, 100 S. Ct. 1601 (1980) (finding that the manufacturer of a "Bionic Boot" did not infringe the trademark of the producers of the "Bionic Woman" television program).

Our holding does not mean that a name or emblem could not serve simultaneously as a functional component of a product and a trademark. *See Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F. 2d 200, 204 (2d Cir. 1979). That is, even if the Job's Daughters' name and emblem, when inscribed on Lindeburg's jewelry, served primarily a functional purpose, it is possible that they could serve secondarily as trademarks if the typical customer not only purchased the jewelry for its intrinsic functional use and aesthetic appeal but also inferred from the insignia that the jewelry was produced, sponsored, or endorsed by Job's Daughters. *See generally*, Grimes & Battersby, *The Protection of Merchandising Properties*, 69 TMR 431, 441-45 (1980). We recognize that there is some danger that the consumer may be more likely to infer endorsement or sponsorship when the consumer is a member of the group whose collective mark or trademark is being

marketed. Accordingly, a court must closely examine the articles themselves, the defendant's merchandising practices, and any evidence that consumers have actually inferred a connection between the defendant's product and the trademark owner.

The trial court made comprehensive findings of fact that provide an adequate record for this court to review the trial court's conclusion of law that the names and emblems were trademarks. *See Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F. 2d 440, 443-44 (9th Cir. 1980); *AMF Inc. v. Sleekcraft Boats*, 599 F. 2d 341, 346-47 (9th Cir. 1979).[12]

We conclude from our examination of the trial judge's findings and of the underlying evidence that Lindeburg was not using the Job's Daughters name and emblem as trademarks. The insignia were a prominent feature of each item so as to be visible to others when worn, allowing the wearer to publicly express her allegiance to the organization. Lindeburg never designated the merchandise as "official" Job's Daughters' merchandise or otherwise affirmatively indicated sponsorship. Job's Daughters did not show a single instance in which a customer was misled about the origin, sponsorship, or endorsement of Lindeburg's jewelry, nor that it received any complaints about Lindeburg's wares. Finally, there was evidence that many other jewelers sold unlicensed Job's Daughters jewelry, implying that consumers did not ordinarily purchase their fraternal jewelry from only "official" sources. We conclude that Job's Daughters did not meet its burden of proving that a typical buyer of Lindeburg's merchandise would think that the jewelry was produced, sponsored, or

endorsed by the organization. The name and emblem were functional aesthetic components of the product, not trademarks. There could be, therefore, no infringement.

The judgment of the district court is reversed and the case is remanded for the entry of judgment in favor of appellant Lindeburg.

FOOTNOTES

1 The emblem consists of a representation of three girls within a double triangle. The girls carry a dove, an urn, and a cornucopia. Between the bases of the two triangles are the words "Iyob Filiae," the Latin translation of "Daughters of Job."

2 A collective mark denotes membership in an organization. A trademark, in contrast, identifies goods produced, sponsored, or endorsed by a particular organization and distinguishes them from goods originating from others. *Compare* 15 U. S. C. § 1127, ¶ 13 ***with*** 15 U. S. C. § 1127, ¶ 10. *See* J. McCarthy, *Trademarks & Unfair Competition* § 4:4 (1973). The distinction has no import in this case, and we have used the terms interchangeably.

3 The parties have not raised this issue, but we must, *sua sponte,* inquire into the precise nature of our jurisdiction. *Louisville & Nashville R. R. Co. v. Motley,* 211 U. S. 149, 152 (1908).

4 By the phrase "common law" we mean rules of decision which do not expressly derive from a constitutional or statutory source, as distinguished from judge-made rules formulated in the course of consti-

tutional or statutory interpretation. *See* P. Bator, P. Mishkin, D. Shapiro, H. Wechsler, *The Federal Courts and the Federal System*, 769-70 (2d ed. 1973).

5 In *Stauffer v. Exley*, 184 F. 2d 962 (9th Cir. 1950), this court stated that section 44 of the Lanham Act, 15 U. S. C. § 1126, created a federal protection against unfair competition. *See also Pagliero v. Wallace China Co.*, 198 F. 2d 339 (9th Cir. 1952). The *Stauffer* language intimates the existence of federal law extending well beyond the categories of trademark infringement and false designation of the origin of goods. Several commentators have criticized the *Stauffer* language, J. McCarthy, *Trademarks & Unfair Competition* § 32:2E (1973); *Developments in the Law—Trademarks and Unfair Competition*, 68 Harv. L. Rev. 814, 878-81 (1955), and most circuits have rejected the idea of such a broad federal protection. *See, e. g., Royal Lace Paper Works, Inc. v. Pest-Guard Prods., Inc.*, 240 F. 2d 814, 816-20 (5th Cir. 1957); *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F. 2d 649, 651-54 (3d Cir. 1954); *American Auto. Ass'n, Inc. v. Spiegel*, 205 F. 2d 771, 774-75 (2d Cir.), *cert. denied*, 346 U. S. 887 (1953).

We do not read *Stauffer* so broadly. The case did not involve the whole range of business torts that are generally thought to be treated under state law, but rather involved the narrower tort of falsely designating the origin of goods. Other circuits have applied 15 U. S. C. § 1125 in such situations. *See Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F. 2d 1004, 1010 (5th Cir.) *cert. denied*, 423 U. S. 868 (1975). Moreover, some of

the language in *Stauffer* seems to limit its applicability to false designations of origin: "[T]he protection granted by the Lanham Act against unfair competition . . . is limited . . . to 'the remedies provided in this chapter for infringement of marks. . . .'" 184 F. 2d at 965. This court has previously suggested that this language makes the *Stauffer* opinion "self-limiting." *Kemart Corp. v. Printing Arts Research Laboratories, Inc.*, 269 F. 2d 375, 389-90 n.9 (9th Cir. 1959). *See also Wells Fargo & Co. v. Wells Fargo Express Co.*, 358 F. Supp. 1065, 1081-84 (D. Nev. 1973), *vacated on other grounds*, 556 F. 2d 406 (9th Cir. 1977).

In any event, Job's Daughters' only claim is grounded in false designation of origin. That claim clearly is actionable under section 1125(a), as interpreted in *New West Corp. v. NYM Co. of California*, 595 F. 2d 1194 (9th Cir. 1979).

6 Accordingly, federal courts ordinarily apply state law in diversity cases alleging infringement of an unregistered trademark. *See Norm Thompson Outfitters, Inc. v. General Motors Corp.*, 448 F. 2d 1293, 1295 & n. 2 (9th Cir. 1971); *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F. 2d 1260, 1264 & n. 4 (5th Cir. 1975); *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F. 2d 1265, 1270 n. 5 (2d Cir. 1974); *Int'l Soc. of Krishna Consciousness, Inc. v. Stadium Auth. of Pittsburg*, 479 F. Supp. 792, 797-98 & n. 2 (W. D. Pa. 1979).

7 Unfair competition claims under state law may be appended to federal trademark claims. 28 U. S. C. § 1338 (b).

8 In order for protection to arise under 15 U. S. C. § 1125(a), the goods involved must have been used in commerce within the control of Congress. *New West Corp. v. NYM Co. of California,* 595 F. 2d 1194, 1199 (9th Cir. 1979). It is clear from undisputed facts that Lindeburg's jewelry was so used.

9 Similar conclusions were reached in *Rolls Royce Motors, Ltd. v. A & A Fiberglass, Inc.,* 428 F. Supp. 689 (N. D. Ga. 1977), and *Nat'l Football League Properties, Inc. v. Consumer Enterprises, Inc.,* 26 Ill. App. 3rd 814, 327 N. E. 2d 242 (1975), *cert. denied,* 423 U. S. 1018 (1975).

10 The Fifth Circuit itself has apparently retreated from a broad interpretation of *Boston Hockey.* In *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.,* 549 F. 2d 368 (5th Cir. 1977), the court began its analysis of Kentucky Fried Chicken's infringement claim by noting that it "reject[ed] any notion that a trademark is an owner's 'property' to be protected irrespective of its role in the protection of our markets," and described the *Boston Hockey* holding as premised on a finding that consumers were likely to believe that the emblems somehow originated from the hockey clubs. 549 F. 2d at 389.

11 We express no opinion about whether Job's Daughters could prevent Lindeburg from using its name and emblem under federal patent law, federal copyright law, or state unfair competition law.

12 The trial court concluded:

> Defendant has used plaintiff's trademarks in its catalogues and on merchandise and such use cre-

ates a likelihood of confusion in the public mind as to the relationship between plaintiff and defendant. *See* [*Boston Hockey*].

13 *See Rolls Royce Motors, Ltd. v. A & A Fiberglass, Inc.*, 428 F. Supp. 689 (N. D. Ga. 1977); *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E. D. N. Y. 1972). A more sensitive evaluation was made in *Girl Scouts of America v. Personality Posters Mfg. Co., Inc.*, 304 F. Supp. 1228, 1231 (S. D. N. Y. 1969).

EXHIBIT B

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

No. 78-1674

INTERNATIONAL ORDER OF JOB'S DAUGHTERS,

Plaintiff-Appellee,

vs.

LINDEBURG AND COMPANY,

Defendant-Appellant.

ORDER

(Filed February 11, 1981)

Before: TRASK and FLETCHER, Circuit Judges, and BLUMENFELD,* District Judge

The panel as constituted in the above case has voted to deny the petition for rehearing and to reject the suggestion for a rehearing en banc.

The full court has been advised of the suggestion for en banc rehearing, and no judge of the court has requested a vote on the suggestion for rehearing en banc. Fed. R. App. P. 35(b).

The petition for rehearing is denied and the suggestion for a rehearing en banc is rejected.

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* The Hon. M. Joseph Blumenfeld, Senior United States District Judge for the District of Connecticut, sitting by designation.

EXHIBIT C

INTERNATIONAL ORDER OF JOB'S DAUGHTERS,

vs.

LINDEBURG AND COMPANY,

No. 75-0185 Decided July 6, 1977

Harris, District Judge.

Following the trial of this matter to the court sitting without a jury, and upon the memoranda of law submitted by the parties hereto, the court hereby makes its Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. The plaintiff and counterdefendant, International Order of Job's Daughters (Job's Daughters), is a fraternal organization whose membership consists of girls between the ages of 12 and 20. Membership is limited to daughters or other close relatives of members of adult Masonic Organizations. Job's Daughters was founded in 1921, at which time it adopted an emblem including a representation of three girls carrying a dove, urn and cornucopia respectively and the words IYOB FILIAE, the Latin translation of DAUGHTERS OF JOB. The emblem was adopted so that Job's Daughters and its members could use the emblem to indicate membership in the Job's Daughters organization. The emblem was changed in 1923 to show the three girls within a double triangle, and the emblem has remained substantially unchanged to the present date, although the emblem has been modernized from time to time, most recently in 1964.

2. Job's Daughters presently has approximately 73,500 members in the United States and foreign countries. The young girls are organized into local bethels which are ordinarily under the jurisdiction of state level Grand Guardian Councils. The Grand Guardian Councils and bethels not under Grand Guardian Councils are under the jurisdiction of the Supreme Guardian Council which is governed by some 20 officers and five trustees assisted by some 30 committees.

3. Job's Daughters appointed Carson Banks as its official jeweler in 1921. In 1927, Job's Daughters licensed Spies Brothers to furnish official jewelry and non-jewelry items to Job's Daughters and its members.

4. Since 1921, Job's Daughters has had at least one official jeweler and/or supplier which sold jewelry and non-jewelry items bearing the emblem of Job's Daughters to the members of Job's Daughters.

5. Since 1921, Job's Daughters has had at least one official jeweler and/or supplier which sold jewelry and non-jewelry items bearing the words "IYOB FILIAE" to the members of Job's Daughters.

6. Since 1921, Job's Daughters has had at least one official jeweler and/or supplier which sold jewelry and non-jewelry items bearing the words "JOB'S DAUGHTERS" to the members of Job's Daughters.

7. At present, plaintiff has agreements with some five official jewelers and/or suppliers who furnish merchandise bearing plaintiff's emblem to plaintiff and its members.

8. Since 1927, the official jewelers and/or suppliers of Job's Daughters have paid Job's Daughters approxi-

mately $500,000 in royalties for permission to use the emblem of Job's Daughters on merchandise.

9. The Supreme Secretary of the Supreme Guardian Council sells and/or furnishes merchandise bearing the trademark of Job's Daughters to Grand Guardian Secretaries and to Bethel Secretaries and has done so over the years.

10. Merchandise, offered for sale by the official jewelers, bearing plaintiff's trademark is normally ordered by members of Job's Daughters through the Bethel Secretary who forwards an order form to the official jeweler and sends a copy thereof to the Supreme Secretary.

11. The by-laws of Job's Daughters include provisions or guidelines for the use of its emblem. The by-laws of Job's Daughters also provide for the appointment of a trademark chairman who oversees the use of plaintiff's emblem.

12. The defendant and counterclaimant, Lindeburg and Company (Lindeburg), is a California corporation which specializes in the manufacture and sale of fraternal merchandise to the various Masonic orders. Lindeburg was founded in 1917 by the current president's father and remains family owned and operated, having eleven employees outside of the four members of the Lindeburg family active in the business. Lindeburg also sells its merchandise by mail order through the distribution of catalogues. Lindeburg manufactures and/or sells hundreds of items of merchandise bearing the emblems of various fraternal organizations including Job's Daughters. Sometime between 1952 and 1954, defendant first began to use

plaintiff's emblem on merchandise which it was advertising and selling. Merchandise bearing the Job's Daughters emblem comprises a substantial portion of Lindeburg's business. Lindeburg is not licensed by any fraternal organization, Job's Daughters included, to manufacture and sell merchandise bearing the organization's emblem.

13. Of the merchandise which Lindeburg sells bearing the Job's Daughters emblem, approximately 20% of such merchandise is manufactured by Lindeburg, 30% is assembled by Lindeburg from stock merchandise and emblem representations provided by others, and 30% is simply purchased from other suppliers and resold by Lindeburg without further processing or alteration by Lindeburg.

14. At first Lindeburg simply purchased its merchandise from catalogue suppliers for resale. Lindeburg's customers would simply pick the merchandise they wanted to purchase in the catalogues of such third party suppliers which Lindeburg would then order wholesale. Lindeburg soon initiated a regular product line of Job's Daughters merchandise, which has grown to the present date and includes nearly 300 separate items, most of them non-jewelry. Lindeburg sells such merchandise to members of the Job's Daughters organization, their relatives and friends, and also has widely sold to hundreds of local chapters (Bethels), and to at least 31 state or province chapters (Ground Councils) (Defendant's group exhibits BBB and CCC).

15. Since at least 1958 Lindeburg has widely distributed catalogues of its merchandise, including catalogues featuring Job's Daughters merchandise (Defendant's group exhibit FFF).

16. Lindeburg has never attempted to conceal its activities from Job's Daughters. Various members of the present Board of Trustees of Job's Daughters have known of Lindeburg's activities for many years. One of Job's Daughters' witnesses, Doris Finley, Grand Secretary of the Supreme Council, testified that she has known of Lindeburg's activities since about 1958. Sharlot Swem, a 1922 charter member of a local Bethel, and who throughout the years has held virtually every office in Job's Daughters on the local, state and supreme levels, testified she personally had known about Lindeburg for approximately 25 years.

17. As early as 1957, Lindeburg disclosed to the Job's Daughters Board his then complete line of products bearing the Job's Daughters emblem. This disclosure was by way of letter (Exhibit B) in which Lindeburg requested to be designated as an "official jeweler" for Job's Daughters merchandise in the west. Although then fully informed of Lindeburg's sale of merchandise bearing the Job's Daughters emblem, Job's Daughters simply declined to appoint him an "official jeweler" and did not inform Lindeburg or indicate in any manner that his sale of Job's Daughters emblematic items was considered in violation of Job's Daughters' rights.

18. In 1964 and again in 1966 Job's Daughters sent letters to defendant requesting that he cease and desist in the sale and advertising of merchandise bearing plaintiff's emblem. William Lindeburg, president of defendant, investigated the matter and concluded in each instance that plaintiff had no enforceable rights and consequently defendant continued to develop and vend merchandise with the Job's Daughters' emblem thereon.

19. In 1973, defendant requested permission from Job's Daughters to use the "registered symbol" of Job's Daughters. There is a conflict in the evidence as to whether defendant sought permission to use the Job's Daughters' emblem or merely the r in a circle thereon, but in any event permission to use the "registered symbol" for a period of one year was granted to defendant in 1973. On September 19, 1973, defendant wrote to Job's Daughters Novelties in British Columbia and stated that they had been given permission to use the "registered trademark" of Job's Daughters.

20. Job's Daughters has brought this suit based upon its asserted common law trademark rights, and jurisdiction of the complaint is founded solely on diversity. Job's Daughters obtained design patent protection for pins in which the emblem was the sole distinguishing feature, U. S. patent Nos. 75,983 (Ex. 102) and 136,723 (Ex. 101), both of which are now expired. The Job's Daughters emblem is not protected under United States Copyright Law, and the emblem is not currently registered either as a collective mark or as a trademark under the provisions of the Lanham Act, 15 USC 1050 et seq. Job's Daughters once obtained a collective membership mark registration for its emblem, registration No. 672,316 (Ex. 97) dated January 6, 1959, which expired pursuant to 15 USC 1058(a) on January 6, 1965, through an inadvertent failure to file the required affidavits of continued use.

21. There are approximately 31,000 retail jewelry stores located in the United States. It is the custom and practice of the retail jewelry trade to supply customers with fraternal as well as non-fraternal jewelry. Those retail

jewelers who do not themselves also manufacture or make the jewelry, can and often do order fraternal jewelry from national fraternal jewelry manufacturers who in the normal course of business mail their catalogues to retail jewelers who can purchase at wholesale, and re-sell to the customer at retail. Defendant's group exhibit AAA contains a large number of national fraternal manufacturing jeweler catalogues which Lindeburg has received over the years. National fraternal jewelers also send their catalogues to officers and functionaries of the various fraternal organizations whose jewelry is displayed in the catalogues. William Lundquist testified that he and his wife have served throughout the years as officers of several Masonic orders. Lundquist further testified that he and his wife annually have received an average of perhaps five to six different manufacturers' catalogues displaying emblematic jewelry and other non-jewelry items, including Job's Daughters items. (See exhibit GR-1 received by Lundquist cataloging fraternal items for 21 Masonic orders including Job's Daughters from the Harry Klitzman Company.) Plaintiff's own witness, Mrs. Amelia Frank, testified that when she first wanted to purchase an item bearing a Job's Daughters emblem she simply looked in the telephone book under "Retail Jewelers" (and possibly under the heading "Fraternal Jewelers") and randomly selected Lindeburg because of his "convenient location." Audre Stevens, owner and operator of a retail jewelry store in the Los Angeles area, has personally visited at least 200 other retail stores throughout some 30 states over the years, who have offered Job's Daughters items for sale.

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CONCLUSIONS OF LAW

1. This court has jurisdiction of the parties and the subject matter of this case and venue is proper.

2. Plaintiff and counterclaim defendant, International Order of Job's Daughters, is a non-profit organization organized under the laws of Nebraska.

3. Defendant and counterclaimant, Lindeburg and Company, is a corporation organized under the laws of California.

4. Plaintiff owns the trademarks "JOB'S DAUGHTERS," "IYOB FILIAE," "DAUGHTERS OF JOB," and the trademarks of Exhibits 1 and 2 to the Complaint.

5. Plaintiff's trademarks have been continuously used since 1921 to indicate membership in plaintiff.

6. Plaintiff's trademarks have also been continuously used on jewelry and non-jewelry items since 1921.

7. Defendant has used plaintiff's trademarks in its catalogues and on merchandise and such use creates a likelihood of confusion in the public mind as to the relationship between plaintiff and defendant. See Boston Pro Hockey Ass'n v. Dallas Cap & E. Mfg., Inc., 510 F. 2d 1004, 185 USPQ 364 (9th Cir. 1975), cert. den., 423 U. S. 868, 187 USPQ 480 (1975), reh. den., 423 U. S. 991 (1975).

8. Defendant has infringed plaintiff's trademarks.

[1] 9. Plaintiff's failure to take any action to enforce its common-law rights to the exclusive use of its trademarks prior to filing the case at bar constitutes laches which bars this court from awarding damages to plaintiff for defend-

ant's infringement. Such finding of laches, however, does not bar the award of injunctive relief as made hereinafter. E. g., Menendez v. Holt, 128 U. S. 514, 523 (1888); Safeway Stores v. Dunnell, 172 F. 2d 649, 656, 80 USPQ 115, 120 (9th Cir. 1949); Reid, Murdoch & Co. v. H. P. Coffee Co., 48 F. 2d 817, 820, 8 USPQ 420, 422-423 (8th Cir. 1931); Rolls-Royce Motors Ltd. v. A & A Fiberglass, Inc., 428 F. Supp. 689, 696, 193 USPQ 35, 43-44 (N. D. Ga. 1977); G. D. Searle & Company v. MDX Purity Pharmacies, Inc., 275 F. Supp. 524, 532-533, 157 USPQ 301, 306-307 (C. D. Cal. 1967); Gillette Company v. Ed Pinaud Inc., 178 F. Supp. 618, 622, 123 USPQ 531, 533-534 (S. D. N. Y. 1959).

[2] 10. The existence of third-party infringers does not preclude defendant's being enjoined from continuing the infringement of plaintiff's trademarks nor from continuing its unfair competition. See United States Jaycees v. San Francisco Jr. Cham. of Com., 354 F. Supp. 61, 67, 73, 175 USPQ 525, 529, 533-534 (N. D. Cal. 1972), affirmed, 513 F. 2d 1226, 185 USPQ 257 (9th Cir. 1977); Rolls-Royce Motors Ltd. v. A & A Fiberglass, supra; 4 Callmann, Unfair Competition, Trademarks and Monopolies § 87.3 (e) at 152 (1969).

11. Defendant has committed acts of unfair competition by using plaintiff's trademarks in its catalogues and on its merchandise.

12. Plaintiff has not committed acts which violate the antitrust laws of the United States and defendant is not entitled to the relief sought in its counterclaim.

13. Plaintiff is entitled to equitable protection in the form of permanent injunctive relief from defendant's trademark infringement and unfair competition.

14. Said permanent injunctive relief shall be effective from and after January 1, 1978. Plaintiff is hereby directed to submit a form of permanent injunction consistent with the foregoing.

EXHIBIT D

EXHIBIT E